Govan Mbeki Municipality
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act No. 108 of 1998)
Nature of business and principal activities	Govan Mbeki municipality is a local municipality performing the functions as set out in the Constitution (Act No. 108 of 1998)
Mayoral Committee	
Executive Mayor	Ngxonono YT
Chief Whip of Council	Mtshali PD
Speaker of Council	Zuma NG
Chairperson of MPAC	Gwiji CV

General Information

Councillors	Badenhorst H J Botha C Chamberlain M De Vries G R Denny T M Dube T H Fourie M E Hlolweni S Klaas N P Lukhele I Mabizela T M Mahlangu B D Mahlangu B D Mahlangu B S Mahlangu E Mahlangu N P Malaza N G Maseko T M Masina N Masuku P I P Mathebula S B Mazibuko K D Mbokazi A V Mbonani L M Mkhaliphi S Mkwebane Z A Mnisi T R Mofokeng T S Mokoena B D Moloto B D Morajane T A Motloung M E Mtsweni M J Mtsweni T P Ndoda N M Ndwanyaza P N Nel Buitendag A D Njinga S C Nkabinde E R Nkabinde J B Nkosi M J (Resigned 04/03/2019) Ntuli S R Sebolela J D Shai Kj Mr Sibanyoni S I Sithole L E Swart E P Thabethe I M Van Huyssteen N C VanRooyen E J Vilakazi E A Zulu T S

General Information

Members of the Mayoral Committee	
	Makhanye S A Mahlangu B S Ndaba B B Zulu N N Nhlapo M D Nkosi N E Makola M B
Capacity and grading of local authority	B4 High
Accounting Officer	Mndebele SF
Chief Financial Officer (CFO)	Sithole BB
Registered office	Horwood Street Secunda 2302
Business address	Horwood Street Secunda 2302
Postal address	Private Bag X1017 Secunda 2302
Bankers	Standard Bank
Auditors	Auditor-General of South Africa
Attorneys	Cronje De Waal & Skhosana attorney TMN Kgomo Attorney's Mthimunye' Attorneys Sipeto Mduba Attorneys Tau Phaiane Inc
Demacation code	MP307
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Property Rates Act (Act No. 6 2004) Division of Revenue Act (Act No. 1 of 2007)

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The reports and statements set out below comprise the annual financial statements presented to the council:

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

Accounting Officer's Responsibilities and Approval

The Accounting Officer is responsible for the preparation of the annual financial statements in terms of section 126(1) of the Municipal Finance Management Act (Act No. 56 of 2003). The Accounting Officer is required by the Municipal Finance Management Act (Act No. 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any Interpretations, Guidelines and Directives issued by the Accounting Standards Board (ASB).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I, as the Accounting Officer, acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the community and government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring the following matters to your attention:

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 33 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 6 - 81, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2019 and were signed on his/her behalf by:

Mndebele SF
Accounting Officer

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	10	14 581 646	9 909 119
Receivables from exchange transactions	11&13	(30 440 624)	4 411 883
Receivables from non-exchange transactions	12&13	133 005 280	89 184 259
VAT receivable	14	94 936 073	70 723 849
Consumer debtors	13	635 720 768	380 529 219
Long term receivables	9	217 051 152	-
Cash and cash equivalents	15	520 968 190	337 642 775
		1 585 822 485	**892 401 104**
Non-Current Assets			
Investment property	3	930 751 289	947 188 842
Property, plant and equipment	4	1 837 095 468	1 862 875 213
Intangible assets	5	1 204 358	1 648 466
Heritage assets	6	5 430 550	5 425 337
Other financial assets	7	12 534 853	11 633 045
Long term receivables	9	3 068 817	3 068 817
		2 790 085 335	**2 831 839 720**
Total Assets		**4 375 907 820**	**3 724 240 824**
Liabilities			
Current Liabilities			
Other financial liabilities	18	1 511 825	1 784 782
Finance lease obligation	16	435 276	480 804
Payables from exchange transactions	21	2 319 427 792	1 450 156 657
Payables from non-exchange transactions	22	6 656 728	3 946 650
Consumer deposits	23	26 229 935	24 248 057
Employee benefit obligation	8	1 682 853	1 517 000
Unspent conditional grants and receipts	17	21 612 272	33 229 708
Provisions for Landfill site	19	3 520 242	2 852 375
Long service award liability	20	2 191 760	2 241 007
		2 383 268 683	**1 520 457 040**
Non-Current Liabilities			
Other financial liabilities	18	1 212 732	2 780 286
Finance lease obligation	16	398 252	-
Employee benefit obligation	8	56 405 538	54 963 864
Provisions for Landfill site	19	105 465 568	82 293 151
Long service award liability	20	25 758 413	23 686 243
		189 240 503	**163 723 544**
Total Liabilities		**2 572 509 186**	**1 684 180 584**
Net Assets		**1 803 398 634**	**2 040 060 240**
Accumulated surplus		1 803 398 623	2 040 060 249

* See Note

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	1 079 767 381	1 073 256 020
Rental of facilities and equipment	29	4 338 701	4 919 638
Interest received - trading		105 803 096	41 597 307
Fees earned		3 539 930	1 422 477
Commissions received		5 892	-
Other income	26	6 153 691	12 973 614
Interest received - investment	27	5 891 363	2 205 023
Fair value adjustments	40	-	725 000
Total revenue from exchange transactions		**1 205 500 054**	**1 137 099 079**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	286 980 657	268 336 256
Transfer revenue			
Government grants and subsidies	31	376 147 329	293 386 666
Fines, penalties and forfeits	53	10 761 879	10 572 802
Insurance claims	24	4 203 324	14 440 988
Total revenue from non-exchange transactions		**678 093 189**	**586 736 712**
Total revenue	24	**1 883 593 243**	**1 723 835 791**
Expenditure			
Employee related costs	32	(449 029 979)	(466 148 422)
Remuneration of councillors	33	(23 758 651)	(23 252 708)
Depreciation and amortisation	34	(147 908 320)	(151 198 378)
Finance costs	35	(174 842 131)	(92 641 859)
Debt impairment	36	(24 157 659)	(3 101 446)
Collection costs		(2 037 448)	(6 518 741)
Bulk purchases	37	(941 430 560)	(820 606 852)
Contracted services	38	(119 042 160)	(77 511 751)
Transfers and subsidies	30	(34 416 662)	(3 708 581)
Loss on disposal of assets and liabilities		(10 840 318)	(18 539 424)
Fair value adjustments		(3 677 553)	-
Actuarial losses		(685 473)	(2 907 625)
General expenses	39	(167 772 352)	(115 494 681)
Total expenditure		**(2 099 599 266)**	**(1 781 630 468)**
Deficit for the year		**(216 006 023)**	**(57 794 677)**

* See Note

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	**2 097 854 926**	**2 097 854 926**
Changes in net assets		
Surplus for the year	(57 794 677)	(57 794 677)
Total changes	(57 794 677)	(57 794 677)
Restated* Balance at 01 July 2018	**2 019 404 646**	**2 019 404 646**
Changes in net assets		
Surplus for the year	(216 006 023)	(216 006 023)
Total changes	(216 006 023)	(216 006 023)
Balance at 30 June 2019	**1 803 398 623**	**1 803 398 623**

Note(s)

* See Note

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		-	1 147 863 399
Grants		-	307 116 433
Interest income		5 891 363	-
Dividends received		-	2 205 023
Other receipts		-	4 109 724
Other cash item		-	932 282
		5 891 363	1 462 226 861
Payments			
Employee costs		-	(379 542 175)
Suppliers		-	(1 199 198 365)
Finance costs		(174 804 638)	(92 283 675)
		(174 804 638)	(1 671 024 215)
Undefined difference compared to the cash generated from operations note		**493 068 436**	**356 278 275**
Net cash flows from operating activities		**324 155 161**	**147 480 921**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(119 250 166)	(53 003 204)
Proceeds from sale of property, plant and equipment	4	(10 399 637)	(10 387 081)
Proceeds from sale of investment property	3	12 760 000	16 921 447
Purchase of other intangible assets	5	6 865	(133 693)
Proceeds from sale of other intangible assets	5	-	8 486
Purchases of heritage assets	6	(5 213)	-
Proceeds from sale of heritage assets	6	-	3 070
Proceeds from sale of financial assets		(1 089 967)	10 417 964
Proceeds from sale of long term receivables		-	3 402 506
Net cash flows from investing activities		**(117 978 118)**	**(32 770 505)**
Cash flows from financing activities			
Repayment of other financial liabilities		(1 840 511)	(7 693 673)
Movement in long service award liability		2 022 923	(24 479 000)
Finance lease payments		(462 033)	(5 528 847)
Net cash flows from financing activities		**(279 621)**	**(37 701 520)**
Net increase/(decrease) in cash and cash equivalents		**205 897 422**	**77 008 896**
Cash and cash equivalents at the beginning of the year		337 642 775	93 308 679
Cash and cash equivalents at the end of the year	15	**543 540 197**	**170 317 575**

* See Note

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 054 428 572	-	**1 054 428 572**	1 079 767 381	**25 338 809**	
Rental of facilities and equipment	4 322 100	-	**4 322 100**	4 338 701	**16 601**	
Interest received - trading	45 869 544	-	**45 869 544**	105 803 096	**59 933 552**	
Fees earned	22 276 512	-	**22 276 512**	3 539 930	**(18 736 582)**	
Commissions received	48	-	**48**	5 892	**5 844**	
Discount received	167 124	-	**167 124**	-	**(167 124)**	
Other income	3 024 564	-	**3 024 564**	6 153 691	**3 129 127**	
Interest received - investment	1 258 128	-	**1 258 128**	5 891 363	**4 633 235**	
Total revenue from exchange transactions	**1 131 346 592**	**-**	**1 131 346 592**	**1 205 500 054**	**74 153 462**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	304 920 132	-	**304 920 132**	-	**(304 920 132)**	
Transfer revenue						
Government grants and subsidies	364 103 484	-	**364 103 484**	376 147 329	**12 043 845**	
Fines, penalties and forfeits	31 624 344	-	**31 624 344**	10 761 879	**(20 862 465)**	
Other transfer revenue 2	4 032	-	**4 032**	4 203 324	**4 199 292**	
Total revenue from non-exchange transactions	**700 651 992**	**-**	**700 651 992**	**391 112 532**	**(309 539 460)**	
Total revenue	**1 831 998 584**	**-**	**1 831 998 584**	**1 596 612 586**	**(235 385 998)**	
Expenditure						
Employee costs	(488 009 016)	488 009 016	**-**	(449 029 979)	**(449 029 979)**	
Remuneration of councillors	(24 618 008)	24 618 008	**-**	(23 758 651)	**(23 758 651)**	
Depreciation and amortisation	(110 895 670)	110 895 670	**-**	(147 908 320)	**(147 908 320)**	
Finance costs	(3 607 896)	3 607 896	**-**	(174 842 131)	**(174 842 131)**	
Debt impairment	(73 136 456)	73 136 456	**-**	(24 157 659)	**(24 157 659)**	
Collection costs	(12 000 000)	12 000 000	**-**	(2 037 448)	**(2 037 448)**	
Bulk purchases	(654 960 000)	654 960 000	**-**	(941 430 560)	**(941 430 560)**	
Contracted services	(118 693 480)	118 693 480	**-**	(119 042 160)	**(119 042 160)**	
Transfers and subsidies	(81 996)	81 996	**-**	(34 416 662)	**(34 416 662)**	
General expenses	(214 168 506)	214 168 506	**-**	(167 772 352)	**(167 772 352)**	
Total expenditure	**(1 700 171 028)**	**1 700 171 028**	**-**	**(2 084 395 922)**	**(2 084 395 922)**	
Operating deficit	**131 827 556**	**1 700 171 028**	**1 831 998 584**	**(487 783 336)**	**(2 319 781 920)**	
Loss on disposal of assets and liabilities	1 620 000	(1 620 000)	**-**	(10 840 318)	**(10 840 318)**	
Fair value adjustments	-	-	**-**	(3 677 553)	**(3 677 553)**	
Actuarial gains/losses	-	-	**-**	(685 473)	**(685 473)**	
	1 620 000	**(1 620 000)**	**-**	**(15 203 344)**	**(15 203 344)**	
Deficit before taxation	**133 447 556**	**1 698 551 028**	**1 831 998 584**	**(502 986 680)**	**(2 334 985 264)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual amount on comparable basis as presented in the budget and actual comparative statement	**133 447 556**	**1 698 551 028**	**1 831 998 584**	**(502 986 680)**	**(2 334 985 264)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of financial position						
Assets						
Current Assets						
Inventories	-	-	-	14 581 646	**14 581 646**	
Receivables from exchange transactions	-	-	-	1 935 135	**1 935 135**	
Receivables from non-exchange transactions	-	-	-	133 005 280	**133 005 280**	
VAT receivable	-	-	-	94 936 073	**94 936 073**	
Consumer debtors	-	-	-	635 720 768	**635 720 768**	
Long term receivables	-	-	-	217 051 152	**217 051 152**	
Cash and cash equivalents	(123)	123	-	520 968 190	**520 968 190**	
	(123)	**123**	**-**	**1 618 198 244**	**1 618 198 244**	
Non-Current Assets						
Investment property	-	-	-	930 751 289	**930 751 289**	
Property, plant and equipment	126 947 676	(126 947 676)	-	1 837 095 468	**1 837 095 468**	
Intangible assets	-	-	-	1 204 358	**1 204 358**	
Heritage assets	-	-	-	5 430 550	**5 430 550**	
Other financial assets	-	-	-	12 534 853	**12 534 853**	
Long term receivables	-	-	-	3 068 817	**3 068 817**	
	126 947 676	**(126 947 676)**	**-**	**2 790 085 335**	**2 790 085 335**	
Total Assets	**126 947 553**	**(126 947 553)**	**-**	**4 408 283 579**	**4 408 283 579**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	1 511 825	**1 511 825**	
Finance lease obligation	-	-	-	435 276	**435 276**	
Payables from exchange transactions	-	-	-	2 319 427 792	**2 319 427 792**	
Taxes and transfers payable (non-exchange)	-	-	-	6 656 728	**6 656 728**	
Consumer deposits	-	-	-	26 229 935	**26 229 935**	
Employee benefit obligation	-	-	-	1 682 853	**1 682 853**	
Unspent conditional grants and receipts	-	-	-	21 612 272	**21 612 272**	
Provisions for Landfill site	-	-	-	3 520 242	**3 520 242**	
Long service award liability	-	-	-	2 191 760	**2 191 760**	
	-	**-**	**-**	**2 383 268 683**	**2 383 268 683**	
Non-Current Liabilities						
Other financial liabilities	-	-	-	1 212 732	**1 212 732**	
Finance lease obligation	-	-	-	398 252	**398 252**	
Employee benefit obligation	-	-	-	56 405 538	**56 405 538**	
Provisions for Landfill site	-	-	-	105 465 568	**105 465 568**	
Long service award liability	-	-	-	25 758 413	**25 758 413**	
	-	**-**	**-**	**189 240 503**	**189 240 503**	
Total Liabilities	**-**	**-**	**-**	**2 572 509 186**	**2 572 509 186**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets	**126 947 553**	**(126 947 553)**	**-**	**1 835 774 393**	**1 835 774 393**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	133 447 556	(133 447 556)	-	1 803 398 634	**1 803 398 634**	
Undefined Difference	**(6 500 003)**	**6 500 003**	**-**	**32 375 759**	**32 375 759**	
Total Net Assets	**133 447 556**	**(133 447 556)**	**-**	**1 803 398 634**	**1 803 398 634**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Cash flow statement

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial performance											
Property rates	304 920 132	(304 920 132)	-	-		-	286 980 657		286 980 657	DIV/0 %	94 %
Service charges	1 054 428 572	(1 054 428 572)	-	-		-	1 079 767 381		1 079 767 381	DIV/0 %	102 %
Investment revenue	1 258 128	(1 258 128)	-	-		-	5 891 363		5 891 363	DIV/0 %	468 %
Transfers recognised - operational	42 207 480	(42 207 480)	-	-		-	304 498 929		304 498 929	DIV/0 %	721 %
Other own revenue	108 908 268	(108 908 268)	-	-		-	135 824 930		135 824 930	DIV/0 %	125 %
Total revenue (excluding capital transfers and contributions)	**1 511 722 580**	**(1 511 722 580)**	**-**	**-**		**-**	**1 812 963 260**		**1 812 963 260**	**DIV/0 %**	**120 %**
Employee costs	(488 009 016)	488 009 016	-	-	-	-	(449 029 979)	-	(449 029 979)	DIV/0 %	92 %
Remuneration of councillors	(24 618 008)	24 618 008	-	-	-	-	(23 758 651)	-	(23 758 651)	DIV/0 %	97 %
Debt impairment	(73 136 456)	73 136 456	-			-	(24 157 659)	-	(24 157 659)	DIV/0 %	33 %
Depreciation and asset impairment	(110 895 670)	110 895 670	-			-	(147 908 320)	-	(147 908 320)	DIV/0 %	133 %
Finance charges	(3 607 896)	3 607 896	-	-	-	-	(174 842 131)	-	(174 842 131)	DIV/0 %	4 846 %
Materials and bulk purchases	(654 960 000)	654 960 000	-	-	-	-	(941 430 560)	-	(941 430 560)	DIV/0 %	144 %
Transfers and grants	(81 996)	81 996	-	-	-	-	(34 416 662)	-	(34 416 662)	DIV/0 %	41 974 %
Other expenditure	(344 861 986)	344 861 986	-	-	-	-	(305 073 721)	-	(305 073 721)	DIV/0 %	88 %
Total expenditure	**(1 700 171 028)**	**1 700 171 028**	**-**	**-**	**-**	**-**	**(2 100 617 683)**	**-**	**(2 100 617 683)**	**DIV/0 %**	**124 %**
Surplus/(Deficit)	**(188 448 448)**	**188 448 448**	**-**	**-**		**-**	**(287 654 423)**		**(287 654 423)**	**DIV/0 %**	**153 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	321 896 004	(321 896 004)	-	-		-	71 648 400		71 648 400	DIV/0 %	22 %
Surplus (Deficit) after capital transfers and contributions	**133 447 556**	**(133 447 556)**	**-**	**-**		**-**	**(216 006 023)**		**(216 006 023)**	**DIV/0 %**	**(162)%**
Surplus/(Deficit) for the year	**133 447 556**	**(133 447 556)**	**-**	**-**		**-**	**(216 006 023)**		**(216 006 023)**	**DIV/0 %**	**(162)%**
Capital expenditure and funds sources											
Total capital expenditure	121 147 668	(121 147 668)	-	-		-	273 109 959		273 109 959	DIV/0 %	225 %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	324 155 161		324 155 161	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(117 978 118)		(117 978 118)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(279 621)		(279 621)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**205 897 422**		**205 897 422**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	337 642 775		337 642 775	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**543 540 197**		**(543 540 197)**	**DIV/0 %**	**DIV/0 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2018				
Financial Performance				
Property rates				268 336 256
Service charges				1 073 256 020
Investment revenue				2 205 023
Transfers recognised - operational				247 618 281
Other own revenue				92 006 466
Total revenue (excluding capital transfers and contributions)				**1 683 422 046**
Employee costs	-	-	-	(466 148 422)
Remuneration of councillors	-	-	-	(23 252 708)
Debt impairment	-	-	-	(3 101 446)
Depreciation and asset impairment	-	-	-	(151 198 378)
Finance charges	-	-	-	(92 641 859)
Materials and bulk purchases	-	-	-	(820 606 852)
Transfers and grants	-	-	-	(3 708 581)
Other expenditure	-	-	-	(226 326 862)
Total expenditure	**-**	**-**	**-**	**(1 786 985 108)**
Surplus/(Deficit)				**(103 563 062)**
Transfers recognised - capital				45 768 385
Surplus (Deficit) after capital transfers and contributions				**(57 794 677)**
Surplus/(Deficit) for the year				**(57 794 677)**
Capital expenditure and funds sources				
Total capital expenditure				352 413 636

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				147 480 921
Net cash from (used) investing				(32 770 505)
Net cash from (used) financing				(37 701 520)
Net increase/(decrease) in cash and cash equivalents				**77 008 896**
Cash and cash equivalents at the beginning of the year				39 383 284
Cash and cash equivalents at year end				**116 392 180**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rands. All figures are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1.4 Significant judgements and sources of estimation uncertainty (continued)

Loans and receivables

The municipality assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is first for individually significant receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment and accounts handed over to debt collectors and/or power of attorney, a formal arrangement is made on arrear debt.

For loans and receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided.

Management has made estimates of the sevice potecial expected to be realised from distribution or use.

The write down is included in surplus or deficit.

Fair value estimation

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the currect market interest rate that is available to the municipality for similar financial instruments.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Impairment testing

The recoverable amounts of potentially impaired cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the condition assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as list econ, such as exchange rates inflation interest.

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Internally generated intangible assets and intangible assets with an indefinite useful life are tested for impairment on an annual basis.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement and long-term obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement and long-term obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value of investment property reflecting market conditions at the valuation roll period of the municipality and annuallyupdated with amendments of supplementary valuation roll.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

1.6 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is subsequently carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average/range of useful life
Buildings	Straight-line	30 years
Community	Straight-line	15-30 years
Infrustructure	Straight-line	10-30 years
Land	Straight-line	Indefinite
Landfill site	Straight-line	24 years
Other property, plant and equipment	Straight line	3-15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on Impairment of cash-generating assets and/or Impairment of non-cash-generating assets.

1.8 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software and other intangible assets as intangible assets.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value on the date of aquisition.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Amortisation is provided to write down the intangible assets, on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

Item	Depreciation method	Average/range of useful life
Computer software	Straight-line	5 years

Accounting Policies

1.8 Intangible assets (continued)

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.9 Heritage assets

Heritage assets sre assets that have a cultural, environmental, historical, natural,scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The municipality has classified as Works of art, antiques, movable objects of historical value, historical buildings and monumnets, as heritage assets.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in the municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement, classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an assets or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of non-cash-generating assets.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use, the municipality:

- bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- bases cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimates cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.10 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments, where applicable.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest of the the bond rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

1.11 Impairment of non-cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.12 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Value Added Tax	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other receivables	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

1.12 Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable,willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.12 Financial instruments (continued)

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

1.13 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts is recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.14 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value or current replacement cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water Inventory

1.14 Inventories (continued)

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the customers or to use it internally, or where the municipality has incurred purification costs on the water obtained from natural recources (rain, rivers, springs, boreholes etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of finacial position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of convertion and other costs incurred in bringing the inventory to its present location and condition, net if trade discounts and rebates.

Water and purified effluent are valued by using the first-in-first-out method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year end.

Other arrangements

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regards to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimeted selling price in the ordinary course of business, less applicable selling expenses. Differences arising on the valueation of inventory are recognised in the statement of financial performance in the year in ehich they arise. The amount of any reversal of any write dowm on inventories arising from an increase in net realisable value or current replacement cost is recognised s a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation in the period in which the reversal occurs.

1.15 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to the amount as determined by council for the applicable financial year. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.16 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

1.17 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;

1.17 Employee benefits (continued)

- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligation.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

1.18 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

1.18 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficit.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.18 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on Impairment of assets as described in accounting policy 1.10 and 1.11

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.19 Accumulated surplus/(deficit)

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.20 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.20 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement, where applicable. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.21 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Insurance claims

IFines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an assets

The insurance claims are measured at the amount due to the municipality from the insurance company.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Grants

Revenue received from conditional grants, donations and funding is recognsied as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the cireteria, conditions or obligations have not been met a liability is recognised.

Unconditional grants and receipts are recognised upon receipt.

1.21 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

The municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:
- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings; and
- weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of assets and Inventories as per accounting policy number 1.10, 1.11 and 1.14. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

1.24 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 47 - Unauthorised expenditure.

1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 49 - Fruitless and wasteful expenditure.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 50 - Irregular expenditure.

1.27 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are made in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to operating leases. Refer to note 42 - Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.28 Budget information

The approved budget is prepared on an accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that municipality's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances. Refer to note 44 - Related parties.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.31 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 45 - Comparative figures.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12 (as amended 2016): Inventories

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued and to clarify acceptable methods of depreciating assets. To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology. To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 21 (as amended 2016): Impairment of Non-cash-generating Assets

Amendments to the Standard of GRAP on Impairment of Non-cash-generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 26 (as amended 2016): Impairment of Cash-generating Assets

Amendments Changes to the Standard of GRAP on Impairment of Cash-generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:
- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

2. New standards and interpretations (continued)

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12). To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property, Property, Plant and Equipment, or Heritage Assets. As this Interpretation does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has early adopted the interpretation for the first time in the 2018/2019 annual financial statements.

The impact of the interpretation is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:
(a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making;
(b) using fair value in certain instances was inappropriate; and
(c) some of the existing accounting requirements were seen as too rules based.

As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued the IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to the IFRS Standard on Financial Instruments: Presentation (IAS 32) and the IFRS Standard on Financial Instruments: Disclosures (IFRS 7). The IPSASB issued revised IPSASs in June 2018 so as to align them with the equivalent IFRS Standards.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets;
- impairment of financial assets; and
- disclosures.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

Guideline on Accounting for Landfill Sites

The Constitution of the Republic of South Africa, gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline on the Application of Materiality to Financial Statements

The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity should apply judgement based on past experience and current facts and circumstances in the identification of significant accounting policies.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020/2021 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued and to clarify acceptable methods of depreciating assets. To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity should apply judgement based on past experience and current facts and circumstances in determining the amount of revenue to be recognised.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 20: Related Parties

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this Standard referred to as the reporting entity) shall apply this Standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The Standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- a person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- an entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The Standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The Standard elaborates on the definitions and identification of:
- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The Standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for statutory receivables.

Statutory receivables are receivables that:
(a) arise from legislation, supporting regulations, or similar means; and
(b) require settlement by another entity in cash or another financial asset.

It furthermore covers: Definitions, Recognition, Derecognition, Measurement, Presentation and disclosure, Transitional provisions, and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation addresses the following issues:
- what is the obligating event that gives rise to the recognition of a liability to pay a levy?
- does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- what is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:
- the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- an entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- the preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- the liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation; and
- an entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 20: Accounting for Adjustments to Revenue

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

As per the background to this Interpretation, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The Interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

It is unlikely that the directive will have a material impact on the municipality's annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2019 or later periods but are not relevant to its operations:

3. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	930 751 289	-	930 751 289	947 188 842	-	947 188 842

Reconciliation of investment property - 2019

	Opening balance	**Disposals**	**Fair value adjustments**	**Total**
Investment property	947 188 842	(12 760 000)	(3 677 553)	930 751 289

Reconciliation of investment property - 2018

	Opening balance	**Disposals**	**Fair value adjustments**	**Total**
Investment property	963 385 289	(16 921 447)	725 000	947 188 842

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Saturday, 01 July 2017, the next valuation period will be 1 July 2020. Revaluations were performed by an independent valuer, Mr Botha [ ], of GIS. The valuer ia qualified and registered as a proffesional Valuer with the institute of the South African Council for Property Valuers Preffession. Lutendo Property Group valuation services are not connected to the municipality and have recent experience in location and category of the investment property being valued.

Investment property was fair valued and changes on the market value decreased the fair value by R3 677 553 as a result of supplementary valuations. The municipality sold property to the value of R12 760 000 in the year under review.

4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	428 583 567	-	428 583 567	428 583 567	-	428 583 567
Buildings	839 450 087	(605 636 763)	233 813 324	834 689 232	(589 398 733)	245 290 499
Infrastructure	4 508 249 753	(3 646 012 791)	862 236 962	4 500 902 769	(3 533 400 678)	967 502 091
Assets under construction	229 418 005	-	229 418 005	161 797 641	-	161 797 641
Landfill site	190 419 341	(147 579 598)	42 839 743	176 455 392	(144 987 594)	31 467 798
Leased movable assets	6 766 850	(6 047 394)	719 456	5 982 631	(5 812 218)	170 413
Other Property, plant and equipment	133 549 550	(94 406 197)	39 143 353	131 506 517	(103 920 635)	27 585 882
Library books	2 780 711	(2 439 653)	341 058	2 787 666	(2 310 344)	477 322
Total	**6 339 217 864**	**(4 502 122 396)**	**1 837 095 468**	**6 242 705 415**	**(4 379 830 202)**	**1 862 875 213**

Reconciliation of property, plant and equipment - 2019

	Opening balance	**Additions**	**Disposals**	**Donated**	**Other changes, movements**	**Depreciation**	**Impairment loss**	**Total**
Land	428 583 567	-	-	-	-	-	-	428 583 567
Buildings	245 290 499	11 456 318	-	-	-	(22 933 493)	-	233 813 324
Infrastructure	967 502 091	2 670 500	(147 697)	5 196 014	-	(112 983 946)	-	862 236 962
Assets under construction	161 797 641	67 620 364	-	-	-	-	-	229 418 005
Landfill site	31 467 798	13 963 949	-	-	-	(2 592 004)	-	42 839 743
Leased movable assets	170 413	784 219	-	-	-	(235 176)	-	719 456
Other Property, plant and equipment	27 585 882	23 532 080	(97 870)	11 585	(3 291 308)	(8 562 945)	(34 071)	39 143 353
Library books	477 322	-	(6 955)	-	-	(129 309)	-	341 058
	1 862 875 213	**120 027 430**	**(252 522)**	**5 207 599**	**(3 291 308)**	**(147 436 873)**	**(34 071)**	**1 837 095 468**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Donated	Depreciation	Impairment loss	Total
Land	428 949 830	-	(366 263)	-	-	-	-	428 583 567
Buildings	269 338 081	1 264 558	(1 028 565)	-	-	(23 281 684)	(1 001 891)	245 290 499
Infrastructure	1 078 330 557	84 772	-	6 348 804	-	(117 081 110)	(180 932)	967 502 091
Assets under construction	122 184 393	45 962 052	-	(6 348 804)	-	-	-	161 797 641
Landfill site	36 625 387	-	(2 106 842)	-	-	(3 050 747)	-	31 467 798
Leased movable assets	2 143 128	-	(110 058)	-	-	(1 862 657)	-	170 413
Other property, plant and equipment	29 794 045	5 691 822	(4 111 871)	-	1 151 827	(4 902 849)	(37 092)	27 585 882
Library Books	1 046 986	-	(248 718)	-	-	(320 946)	-	477 322
	1 968 412 407	**53 003 204**	**(7 972 317)**	**-**	**1 151 827**	**(150 499 993)**	**(1 219 915)**	**1 862 875 213**

Pledged as security

Carrying value of property, plant and equipment pledged as security:

Office equipment	-	170 413

Included is other property, plant and equipment is office equipment subject to finance lease. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to the note on the finance lease obligations.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Figures in Rand

5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 266 542	(2 062 184)	1 204 358	3 275 010	(1 626 544)	1 648 466

Reconciliation of intangible assets - 2019

	Opening balance	Adjustments	Amortisation	Total
Computer software	1 648 466	(6 865)	(437 243)	1 204 358

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Adjustments	Disposals	Amortisation	Total
Computer software	2 086 172	3 400	130 293	(8 486)	(562 913)	1 648 466

Pledged as security

All intangible assets are held under freehold interest and no intangible assets have been pledged as security for any liabilities of the municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Heritage assets

	2019			2018		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	5 430 550	-	5 430 550	5 425 337	-	5 425 337

Reconciliation of heritage assets 2019

	Opening balance	**Additions**	**Total**
Historical monuments	5 425 337	5 213	5 430 550

Reconciliation of heritage assets 2018

	Opening balance	**Disposals**	**Total**
Historical monuments	5 428 407	(3 070)	5 425 337

Pledged as security

No heritage assets were pledged as security for any liabilities of the municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Figures in Rand	2019	2018

7. Other financial assets

Designated at fair value		
Old Mutual shares 2019: 2 187 @ R21.20 2019: 30 100 @ R21.20 2018: 2 187 @ R27.79 2018: 30 100 @ R27.79	684 484	897 256
Sanlam shares 2019: 2 452 @ R78.16 2018: 2 452 @ R70.07	191 649	171 812
Nedbank shares 2019: 70 @ R253.20 2019: 70 @ R233.02 (Unbundeling of shares 10/10/2019, 3.21176 shares for every 100 Old Mutual shares held) 2019: 966 @ R253.20 2019: 966 @ R233.02 (Unbundeling of shares 10/10/2019, 3.21176 shares for every 100 Old Mutual shares held)	262 315	-
	1 138 448	**1 069 068**
At amortised cost		
ABSA Fixed deposit The ABSA balance is held as security for the DBSA loan with a balance of R2 274 555 as at year end (2018: R 4 565 067)	11 396 405	10 563 977
Total other financial assets	**12 534 853**	**11 633 045**
Non-current assets		
Designated at fair value	1 138 448	1 069 068
At amortised cost	11 396 405	10 563 977
	12 534 853	**11 633 045**

Figures in Rand	2019	2018

8. Employee benefit obligations

Defined benefit plan

Post-retirement medical aid plan

The municipality provides certain post - retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member who is on the current conditions of service is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit funding method.

At the valuation date individuals entitled to a post - retirement medical aid subsidy were:
In - service (employee) members.
In - service (employee) non - members.
Continuation (retiree and widow) members.

The amounts recognised in the statement of financial position are as follows:

	2019	2018
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(56 480 864)	(49 476 864)
Present value of the defined benefit obligation-partly or wholly funded	(1 607 527)	(7 004 000)
	(58 088 391)	**(56 480 864)**
Non-current liabilities	(56 405 538)	(54 963 864)
Current liabilities	(1 682 853)	(1 517 000)
	(58 088 391)	**(56 480 864)**

Valuation of assets

At the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets had been set aside to meet this liability.

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
Opening balance	(56 480 864)	(49 476 864)
Benefits paid	4 522 000	4 162 000
Net expense recognised in the statement of financial performance	(6 129 527)	(11 166 000)
	(58 088 391)	**(56 480 864)**

Net expense recognised in the statement of financial performance

	2019	2018
Current service cost	(1 517 000)	(1 115 000)
Interest cost	(5 298 000)	(4 544 000)
Actuarial (gains) losses	685 473	(5 507 000)
	(6 129 527)	**(11 166 000)**

Key assumptions used

Assumptions used at the reporting date:

	2019	2018
Discount rates used	10.08 %	9.63 %
Consumer Price inflation	6.54 %	6.52 %
Health care costs inflation	8.04 %	7.52 %
Net discount rate	1.89 %	1.96 %

8. Employee benefit obligations (continued)

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. We have used the average nominal yield curve for SA Government bonds with duration of between 10 and 11 years as at 30 June 2019. The resultant discount rate was 10.08% (2018: 9.63%). The source is the Johannesburg Stock Exchange through INET BFA data services

South Africa has experienced high health care cost inflation in recent years and our assumption is that health care cost will exceed general inflation by about 1% per annum. This is consistent with the previous assumption that was made by the previous actuary.The Health care cost inflation rate was therefore set at 8.04% per annum.

Though the actual values used for the discount rate and the expected increase in medical inflation are important, the “gap(net discount rate)” between the two assumptions is more important. The net discount rate is 1.96% per annum (delivered from a discount rate of 10.08% and the expected medical inflation rate of 8.04%).

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. It was assumed that post employment health care subsidy would be at 100% of active employees or their surviving dependents.

Acturial gains

The benefits payment of R4 522 000 were made during the year and the the change in the net discount rate increased the interest cost by R5 298 000 and service cost by R1 517 000 , as a result the employee benefit obligation increased which resulted in the acturial gain amounting to R685 473.

Sensitivity analysis

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables i.e
- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Medical Aid inflatio

Withdrawal rate

As per the table below, a 20% increase in the withdrawals results in a 1.01% increase in the accrued liability whilst a 20% decrease in the withdrawal rate will result in a 1.38% decrease in the accrued liability.

Health care cost inflation

As per the table below, a 1% increase in the medical inflation rate results in a 14%.63 increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in a 11.97% decrease in the accrued liability.

2019

Withdrawal rate	-20% Withdrawal rat	Valuation assumprion	+20% Withdrawal rate
Total accrued liability	57 286 991	58 087 527	58 674 279
Correct service cost	1 608 308	1 682 853	1 737 136
Interest cost	5 610 765	5 691 459	5 750 603
	64 506 064	**65 461 839**	**66 162 018**

Health care cost inflation	-1% Health care cost inflation	Valuation assumptions	+1% Health care cost inflation
Total accrued liability	51 135 782	58 087 527	66 583 234
Current service cost	1 363 180	1 682 853	2 095 475
Interest cost	4 991 485	5 691 459	6 547 067
	57 490 447	**65 461 839**	**75 225 776**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

8. Employee benefit obligations (continued)

2018

Withdrawal rate	**-20% Withdrawal rat**	**Valuation assumprion**	**+20% Withdrawal rate**
Total accrued liability	45 184 000	56 480 000	67 776 000
Correct service cost	1 213 600	1 517 000	1 820 400
Interest cost	4 238 400	5 298 000	6 357 600
	50 636 000	**63 295 000**	**75 954 000**

Health care cost inflation	**-1% Health care cost inflation**	**Valuation assumptions**	**+1% Health care cost inflation**
Total accrued liability	55 915 000	56 480 000	57 044 000
Correct service cost	1 501 830	1 517 000	1 532 000
Interest cost	5 245 000	5 298 000	5 350 000
	62 661 830	**63 295 000**	**63 926 000**

9. Long term receivables

Credit quality of long term receivables

The credit quality of long term receivables from exchange transactions that are either past due or impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality.The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed. Long term receivables include debtors with signed debt arrangement and/or handed over to lawyers

The municipality enforces its approved credit policy to ensure the recovery of long term receivables. The balance of long term receivables are as follows.

Summary of long term debtors		
Grass long term receivables	-	43 435 444
Less: Allowance for impairment	-	(39 116 150)
	-	**4 319 294**
Short term receivables	-	1 263 786
Long term receivables	-	3 055 508

10. Inventories

Consumable stores	13 856 390	9 238 570
Water	725 256	670 549
	14 581 646	**9 909 119**

11. Receivables from exchange transactions

Deposits	1 935 135	1 935 135
Consumer debtors	(32 375 759)	2 476 748
	(30 440 624)	**4 411 883**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

12. Receivables from non-exchange transactions

Fines	2 458 127	17 458 601
Government grants and subsidies	10 152 322	10 152 322
Property rates	120 394 831	61 573 336
	133 005 280	**89 184 259**

Summary of property rates		
Gross balance	158 051 802	104 700 213
Less: Allowance for impairment	(60 578 269)	(60 578 269)
	97 473 533	**44 121 944**

Summary of rates per ageing		
Current (0-30 days)	22 213 851	15 838 439
31-60 days	7 412 857	8 461 838
61-90 days	6 529 590	5 711 230
91-120 days	10 037 882	16 193 985
>120 days	111 857 639	60 494 721
Allowance for impairment	(60 578 269)	(60 578 269)
	97 473 550	**46 121 944**

Consumers		
Current (0-30 days)	-	7 151 490
31-60 days	-	3 271 223
61-90 days	-	2 903 204
91-120 days	-	8 012 915
>120 days	-	16 678 180
Allowance for impairment	-	(20 554 587)
	-	**17 462 425**

Industrial/Commercial		
Current (0-30 Days)	-	8 050 357
31-60 Days	-	2 574 051
61-90 Days	-	2 763 901
91-120 days	-	8 056 689
>120 days	-	33 431 796
Allowance for impairment	-	(34 170 308)
	-	**20 706 486**

National and provincial government		
Current (0-30 days)	-	631 331
31-60 days	-	613 480
61-90 days	-	41 779
91-120 days	-	103 629
>120 days	-	8 351 289
Allowance for impairment	-	(5 818 964)
	-	**3 922 544**

Other		
Current (0-30 days)	-	5 260
31-60 days	-	3 084
61-90 days	-	2 347
91-120 days	-	20 753
>120 days	-	33 456
Allowance for impairment	-	(34 409)

Figures in Rand	2019	2018

12. Receivables from non-exchange transactions (continued)

	-	**30 491**

No receivables from non-exchange transactions were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2019	2018
Opening balance	(60 578 269)	(62 038 436)
Provision for impairment movement	-	1 460 167
	(60 578 269)	**(60 578 269)**

Fines

Financial guarantee contract details are as follow:

Summary of fines

	2019	2018
Gross fines	55 525 516	56 317 216
Provision for impairment	(38 063 270)	(54 982 426)
	17 462 246	**1 334 790**

Reconciliation of provision for impairment of receivables from fines

	2019	2018
Opening balance	54 982 426	(44 227 834)
Provision for impairment	-	(10 754 592)
	54 982 426	**(54 982 426)**

Credit quality of receivables from non-exchange transactions

The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Assessment rate receivables are billed monthly. No interest is charged on these receivables until the 7th day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

13. Consumer debtors disclosure

Gross balances		
Electricity	208 111 568	163 690 757
Water	516 267 774	353 635 875
Sewerage	230 793 434	197 381 590
Refuse	168 824 430	123 449 192
Other (specify)	199 139 630	54 870 013
	1 323 136 836	**893 027 427**

Less: Allowance for impairment		
Electricity	(114 021 446)	(114 021 446)
Water	(239 031 125)	(238 954 339)
Sewerage	(103 974 664)	(103 974 664)
Refuse	(70 629 092)	(70 629 092)
Other (specify)	(159 759 741)	15 081 333
	(687 416 068)	**(512 498 208)**

Net balance		
Electricity	94 090 122	49 669 311
Water	277 236 649	114 681 536
Sewerage	126 818 770	93 406 926
Refuse	98 195 338	52 820 100
Other	39 379 889	69 951 346
	635 720 768	**380 529 219**

Included in above is receivables from exchange transactions		
Electricity	103 273 100	79 439 600
Water	205 361 637	42 806 524
Sewerage	68 495 193	35 083 349
Refuse	91 545 323	46 170 084
Other	465 576 600	63 258 715
	934 251 853	**266 758 272**

Net balance	**934 251 853**	**266 758 272**

Electricity		
Current (0 -30 days)	28 478 886	60 431 130
31 - 60 days	8 995 278	12 742 115
61 - 90 days	6 514 009	6 669 381
91 - 120 days	6 788 172	16 355 277
121 - 365 days	45 226 777	97 263 143
> 365 days	(3 813 756)	(114 021 446)
Undefined Difference	**(92 189 366)**	**(79 439 600)**
	-	-

Water		
Current (0 -30 days)	75 313 984	46 566 356
31 - 60 days	27 930 022	16 827 344
61 - 90 days	16 516 402	14 706 713
91 - 120 days	13 626 560	55 980 248
121 - 365 days	100 837 018	308 044 597
> 365 days	(72 994 993)	(399 318 733)
Undefined Difference	**(161 228 993)**	**(42 806 525)**
	-	-

Figures in Rand	2019	2018

13. Consumer debtors disclosure (continued)

Sewerage		
Current (0 -30 days)	9 344 141	7 755 168
31 - 60 days	5 943 066	5 525 671
61 - 90 days	5 462 501	6 808 591
91 - 120 days	5 310 576	31 988 517
121 - 365 days	32 952 201	109 691 039
> 365 days	16 845 067	(126 685 637)
Undefined Difference	**(75 857 552)**	**(35 083 349)**
	-	-

Refuse		
Current (0 -30 days)	9 797 345	8 515 930
31 - 60 days	6 114 846	6 160 901
61 - 90 days	5 706 212	5 098 685
91 - 120 days	5 717 595	28 906 223
121 - 365 days	33 860 009	74 089 677
> 365 days	29 527 477	(76 601 332)
Undefined Difference	**(90 723 484)**	**(46 170 084)**
	-	-

Business service levies		
Undefined Difference	**(32 375 759)**	**2 476 748**

Sundry receivables		
Current (0 -30 days)	156 331 524	3 800 921
31 - 60 days	2 476 055	2 489 121
61 - 90 days	2 460 929	2 167 583
91 - 120 days	2 452 796	23 491 787
121 - 365 days	42 980 563	191 510 207
> 365 days	39 144 905	(201 969 819)
Undefined Difference	**(245 846 772)**	**(21 489 800)**
	-	-

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	50 782 658	73 301 079
31 - 60 days	44 415 408	36 325 558
61 - 90 days	34 281 321	29 679 338
91 - 120 days	31 957 247	135 320 693
121 - 365 days	241 188 991	679 419 832
> 365 days	861 787 200	-
	1 264 412 825	954 046 500
Less: Allowance for impairment	(783 777 934)	(783 777 934)
	480 634 891	**170 268 566**

Industrial/ commercial		
Current (0 -30 days)	36 962 087	48 377 676
31 - 60 days	8 813 371	6 427 977
61 - 90 days	5 611 169	5 023 914
91 - 120 days	9 117 461	20 202 616
121 - 365 days	24 190 895	83 313 077
> 365 days	87 356 395	-

Figures in Rand	2019	2018

13. Consumer debtors disclosure (continued)

	172 051 378	163 345 260
Less: Allowance for impairment	(111 496 819)	(111 496 819)
	60 554 559	**51 848 441**

National and provincial government		
Current (0 -30 days)	2 053 895	5 288 868
31 - 60 days	1 248 641	926 436
61 - 90 days	860 566	471 809
91 - 120 days	857 359	1 030 481
121 - 365 days	9 534 604	18 902 469
> 365 days	22 064 974	-
	36 620 039	26 620 063
Less: Allowance for impairment	(22 452 004)	(22 452 004)
	14 168 035	**4 168 059**

Other		
Current (0 -30 days)	208 641 750	101 881
31 - 60 days	2 105 773	65 180
61 - 90 days	1 302 981	75 910
91 - 120 days	830 142	168 266
121 - 365 days	5 588 855	720 992
> 365 days	3 032 453	-
	221 501 954	1 132 229
Less: Allowance for impairment	(870 210)	(870 210)
Undefined Difference	**(220 631 744)**	**-**
	-	**262 019**

Reconciliation of allowance for impairment		
Balance at beginning of the year	918 596 967	(679 870 299)
Contributions to allowance	-	(238 726 668)
Undefined Difference	**(918 596 967)**	**-**
	-	**(918 596 967)**

Consumer depotors pledged as security

No consumer debtors have been pledged as security for any liabilities of the municipality.

Credit quality of consumer debtors

The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assessed for indicators of impairment. the municipality cosiders that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information inti its credit risk control. No external credit rating is performed.

Consumers receivables are billed monthley. No interest is charged on consumer receivables until the 7th day of the following month. Thereafter interest is charged at a rate determined by council on the capital amount exclusive of interest. Assessment rate receivables are billed monthly. No interest is charged on receivables until the 7th day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The muncipality enforces its approved credit controll policy to tnsure the recovery of consumer receivables. Deposits are required to be paid for all water accounts opened.

None of the financial assets that are fully performeng have been renegotiated in the last year.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. VAT receivable

VAT	94 936 073	70 723 849

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	21 810	21 810
Bank balances	399 078 444	315 498 108
Short-term deposits	121 867 936	22 122 857
	520 968 190	**337 642 775**

16. Finance lease obligation

Minimum lease payments due		
- within one year	500 640	491 853
- in second to fifth year inclusive	417 200	-
	917 840	491 853
less: future finance charges	(84 313)	(11 049)
Present value of minimum lease payments	**833 527**	**480 804**

Present value of minimum lease payments due		
- within one year	435 276	480 804
- in second to fifth year inclusive	398 252	-
	833 528	**480 804**

Non-current liabilities	398 252	-
Current liabilities	435 276	480 804
	833 528	**480 804**

It is the municipality's policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10% (2018: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	1 983 123	-
LG SETA Grant	2 208 365	1 372 394
Sport development grant	453 685	453 685
Integrated National Electrification Pragramme Grant	-	11 399 028
SASOL point duty officers	600 744	313 901
Pre-capacity grant	-	286 843
SASOL	15 116 475	15 116 475
Financial Management Grant	85 550	9 676
Energy Effient and Demand side Management Grant	-	4 000 000
Extended Public Works Programme Grant	144 730	277 706
Water services infrastructure	1 019 600	-
	21 612 272	**33 229 708**

Figures in Rand	2019	2018

17. Unspent conditional grants and receipts (continued)

The grant liability indicated the nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited. Fulfilled conditions and other contingencies attaching to government assistance that has been recognised as revenue and disclosed in the grant income note of the annual financial statements.

18. Other financial liabilities

	2019	2018
At amortised cost		
Development Bank of South Africa	2 724 557	4 565 068
Non-current liabilities		
At amortised cost	1 212 732	2 780 286
Current liabilities		
At amortised cost	1 511 825	1 784 782

19. Provisions for Landfill site

Reconciliation of provisions for landfill site - 2019

	Opening Balance	Additions	Total
Landfill site	85 145 526	23 840 284	108 985 810

Reconciliation of provisions for landfill site - 2018

	Opening Balance	Additions	Total
Landfil lsite	83 944 431	1 201 095	85 145 526

	2019	2018
Non-current liabilities	105 465 568	82 293 151
Current liabilities	3 520 242	2 852 375
	108 985 810	**85 145 526**

Landfill site rehabilitation provision

The municipality will incur licensing and rehabilitation cost of R108 985 809 (2018: R85 145 526) to restore landfill sites at the end of their use. As at 30 June 2018, this liability will be incurred over 0 to 33 years. Provision has been made for the net present value of the expenditures expected to be required to settle the obligation using the average cost of borrowings.

In the current year the waste management team accurately accounted for waste dispositions in the landfill sites. The increased accuracy in volumes of waste dumped at these sites resulted in more accurate site life calculations. The effect of the changes resulted in an increase in provisions by R 23 840 284.

The net discount rate decreased from 3.35% to 3.23% and thus increased the liability as at 30 June 2019.

The priced quotations used to quantify the rehabiliation costs and closure costs increased in the financial year. The net effect of the increase was R 16 475 876.

20. Long service award liability

The municipality operates a defined benefit plan for all its employees. The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet its liability.

Notes to the Annual Financial Statements

20. Long service award liability (continued)

Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, until 45 years of service (inclusive) to employees. Furthermore, a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of a long service based on historical staff turnover. No other long service benefits are provided to employees.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

At year end, 1,209 (2018: 1,244) employees were eligible for long service awards.

Valuation of liabilities

Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases. For each employee, this projection is based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death.

Valuation of assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability

The amounts recognised in the statement of financial position are as follows:

Figures in Rand	2019	2018

20. Long service award liability (continued)

Carrying amount		
Opening balance	(25 927 250)	(26 640 000)
Movement in long service award liability	(2 022 923)	712 750
	(27 950 173)	**(25 927 250)**

Changes in the present value of the long service liability are as follows:		
Opening balance	(25 927 250)	(26 640 000)
Benefits paid	3 518 448	2 641 982
Net expense recognised in the statement of financial performance	(5 541 371)	(1 929 232)
	(27 950 173)	**(25 927 250)**

Net expense recognised in the statement of financial performance		
Current service cost	(2 473 106)	(2 187 000)
Interest cost	(2 241 007)	(2 341 607)
Acturial gains/(losses)	827 258	2 599 375
	(3 886 855)	**(1 929 232)**

The accrued liability is determined on the basis that each employee’s long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The discount rate determined by using the Bond Exchange (JSE) Zero Coupon Yield Curve as at 30 June 2019 is 8.25% per annum (2018: 8.98), and the yield on inflation like bonds of a similar term was about 3.14% per annum.This implies an underlying expectation of inflation of 4.95% per annum.

It was assumed that salary inflation would exceed general inflation by 1.0% per annum, i.e. 5.95% per annum.However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.17 per annum%.

Actuarial gain can be attributed to the following factors.

Changes in economic variables increased the liability.

Increase in employees entitled to other long service award benefits.

Discount rate	8.25%	8.98%
Consumer price inflation	4.95%	5.97%
Net salary increase rate	5.95%	6.97%
Net effective discount rate	2.17%	1.87%
Mortality	SABS-90	SABS-90
Expected retirement age (years)	63	63
	0	**0**

Sensitivity analysis

The valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership. In order to illustrate the sensitivity of our results to changes in certain key variables, the liabilities were recalculated using the following assumptions:
- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation.

Withdrawal rate

20. Long service award liability (continued)

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.
We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.
We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption.

The effect of the above is as follows:

2019

Withdrawals	**-20% Withdrawal rate**	**Valuation Assumptions**	**+20% Withdrawal rate**
Total Accrued Liability	22 360 138	27 950 173	33 540 208
Current Service Cost	1 677 140	2 096 425	2 515 710
Interest Cost	1 753 408	2 191 760	2 630 112
	25 790 686	**32 238 358**	**38 686 030**

Normal salary inflation	**-1% Normal salary inflation**	**Valuation Assumptions**	**+1% Withdrawal salary inflation**
Total Accrued Liability	26 161 623	27 950 173	29 925 059
Current Service Cost	1 941 965	2 096 425	2 268 963
Interest Cost	2 044 729	2 191 760	2 354 165
	30 148 317	**32 238 358**	**34 548 187**

2018

Withdrawals	**-20% Withdrawal rate**	**Valuation Assumptions**	**+20% Withdrawal rate**
Total Accrued Liability	20 741 800	25 927 250	31 112 700
Current Service Cost	1 749 600	2 187 000	2 624 400
Interest Cost	1 873 286	2 341 607	2 809 928
	24 364 686	**30 455 857**	**36 547 028**

Normal salary inflation	**-1% Normal salary inflation**	**Valuation Assumptions**	**+1% Withdrawal salary inflation**
Total Accrued Liabilty	25 667 978	25 927 000	26 186 523
Current Service Cost	2 165 130	2 187 000	2 208 870
Interest Cost	2 318 191	2 341 000	2 365 023
	30 151 299	**30 455 000**	**30 760 416**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

21. Payables from exchange transactions

Trade payables	1 848 545 751	963 482 522
Payments received in advanced	16 494 934	8 441 105
Accrued leave pay	24 512 632	22 474 733
Accrued bonus	8 585 627	8 095 637
Accrued expense	32 036 041	13 933 332
Retentions	15 104 379	13 413 486
Sundry creditors	7 240 088	7 240 088
Deposits received	-	92 013
Salary control	369 158 416	412 474 532
Other creditors - inventory	(2 250 076)	509 209
	2 319 427 792	**1 450 156 657**

22. Payables from non-exchange transactions

Unallocated receipts	6 656 728	3 946 650

23. Consumer deposits

Electricity	9 354 228	9 130 469
Water	16 622 862	15 097 524
Refuse	1 013	1 013
Housing rental	251 832	19 051
	26 229 935	**24 248 057**

24. Revenue

Service charges	1 079 767 381	1 073 256 020
Rental of facilities and equipment	4 338 701	4 919 638
Interest received on outstanding debtors	105 803 096	41 597 307
Fees earned	3 539 930	1 422 477
Commissions received	5 892	-
Other income	6 153 691	12 973 614
Interest received - investment	5 891 363	2 205 023
Property rates	286 980 657	268 336 256
Government grants and subsidies	376 147 329	293 386 666
Fines	10 761 879	10 572 802
Insurance claims	4 203 324	14 440 988
	1 883 593 243	**1 723 110 791**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1 079 767 381	1 073 256 020
Rental of facilities and equipment	4 338 701	4 919 638
Interest received - trading	105 803 096	41 597 307
Fees earned	3 539 930	1 422 477
Commissions received	5 892	-
Other income	6 153 691	12 973 614
Interest received - investment	5 891 363	2 205 023
	1 205 500 054	**1 136 374 079**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	286 980 657	268 336 256
Transfer revenue		
Government grants and subsidies	376 147 329	293 386 666
Fines	10 761 879	10 572 802
Insurance claims	4 203 324	14 440 988
	678 093 189	**586 736 712**

25. Service charges

Sale of electricity	436 985 923	489 306 096
Sale of water	416 684 712	363 370 629
Sewerage and sanitation charges	108 474 330	110 808 859
Refuse removal	117 622 416	109 770 436
	1 079 767 381	**1 073 256 020**

26. Other income

Incidental income	5 618 557	12 796 198
Administration handeling fees	535 134	177 416
	6 153 691	**12 973 614**

27. Investment revenue

Interest revenue		
short term investments	5 891 363	2 205 023

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

28. Property rates

Rates received

Residential	251 760 102	263 055 654
Commercial	20 693 300	3 605 627
State	12 427 140	1 355 617
Small holdings and farms	2 100 115	342 242
Churches	-	(22 884)
	286 980 657	**268 336 256**

Valuations

Residential	-	20 214 720 861
Commercial	-	6 006 454 800
State	-	276 787 000
Municipal	-	653 934 515
Small holdings and farms	-	3 278 771 500
Churches	-	308 927 000
NGO's	-	82 767 600
	-	**30 822 363 276**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 1 July 2020.

29. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	4 338 701	1 577 819

30. Grants and subsidies paid

Other subsidies		
Sewerage indigent support	34 416 662	3 708 581

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Government grants and subsidies

Operating grants

Equitable share	257 244 410	218 181 249
Expenaded public works programme	1 792 269	3 966 294
Financial Management Grant	1 684 450	1 690 324
Municipal Infrastructure Skills Development	22 500 208	23 000 000
Sasol	15 266 007	289 683
Library grant	11 585	490 731
Energy Efficiency and Demand Side Management Grant	6 000 000	-
	304 498 929	**247 618 281**

Capital grants

Municipal Infrastructure Grant	54 667 879	42 796 000
Rand water	8 980 521	371 413
Intergrated National Electrification programme Grant	8 000 000	2 600 972
	71 648 400	**45 768 385**
	376 147 329	**293 386 666**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	304 498 929	247 618 281
Unconditional grants received	71 648 400	45 768 385
	376 147 329	**293 386 666**

Equitable Share

In terms of the Constitution of the Republic of South Africa, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R - (2018: R 217), which is funded from the grant. The subsidy is determined annually by council. All indigent residential households received 10kl water and 50kwh electricity free every month.

Municipal Infrastructure Grant

Balance unspent at beginning of year	(2 600 972)	916 535
Current-year receipts	56 656 787	42 796 000
Conditions met - transferred to revenue	(42 636 394)	(45 396 972)
Monies withheld by treasury	-	(916 535)
	11 419 421	**(2 600 972)**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas.

LG SETA Grant

Balance unspent at beginning of year	1 372 393	693 229
Current-year receipts	-	679 164
Conditions met - transferred to revenue	(1 347 548)	-
	24 845	**1 372 393**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Government grants and subsidies (continued)

The LGSETA mission is to build Local Governments' ability to meet its development needs by engaging innovative training methods, effective capacity building frameworks and building strategic partnerships. LGSETA creates and implements various innovative skills development interventions aimed at assisting local government employees, the unemployed and other people such as ward councillors and traditional leaders working within the structures of local government.

LG SETA allocates on a yearly basis the grants to the municipality to ensure that the skills development objectives are met as per Workplace Skills Plan(WSP).

Sports and Development Grant

Balance unspent at beginning of year	453 685	453 685

This grant was received for promotion and development of sport. Projects identified for application of the grant will run in the subsequent financial year. No funds have been withheld.

Energy Efficient & Demand Side Management Grant

Balance unspent at beginning of year	4 000 000	4 000 000

Provision of subsidies to municipalities to implement energy efficient and demand side management initiativeswithin municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Intergrated National Electrification Programme Grant

Balance unspent at beginning of year	11 399 028	8 497
Current-year receipts	8 000 000	14 000 000
Conditions met - transferred to revenue	(19 474 902)	(2 600 972)
Other	-	(8 497)
	(75 874)	**11 399 028**

Implementation the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings including upgrade of informal settlements, new, and normalisation,and the installation of relevant bulk infrastructure.

Economic Development and Tourism

Balance unspent at beginning of year	313 900	313 900

Contribution towards the detailed technical feasability study and the development of business plan for establishment of Industrial Park.

Pre-capacity Grant

Balance unspent at beginning of year	286 843	286 843

The grant was allocated to ensure that the social housing programme of provincial government was carried out. The municipality acts as an agent for implementation of the plan.

Figures in Rand	2019	2018

32. Employee related costs

Basic	307 608 484	317 223 526
Bonus	18 203 436	18 706 142
Medical aid - company contributions	27 320 832	25 686 666
UIF	2 009 475	2 292 846
Leave pay provision charge	4 931 791	2 427 686
Pension fund contribution	49 301 880	51 471 309
Travel, motor car, accommodation, subsistence and other allowances	13 970 611	15 280 628
Overtime payments	21 960 546	21 286 854
Long-service awards	(218 084)	2 187 000
Cellphone allowance	1 670 047	1 899 692
Allowance Standby	85 428	5 800 204
Industrial council levy	(156 255)	333 766
Non-Pensionable Allowance	(142 800)	178 442
Housing subsidy	1 215 992	1 373 661
	447 761 383	**466 148 422**

Remuneration of Accounting Officer

Basic Salary	1 225 547	350 578
Travel allowance	90 000	-
Cellphone allowance	16 200	18 000
Contributions to UIF, Medical and Pension Funds	253 791	1 487
Housing Allowance	30 000	-
Other benefits	13 925	-
	1 629 463	**370 065**

Mr MC Morolo acted as Municipal Manager from 9 July 2018 to 30 September 2018.
Mr SF Mndebele was appointed as Municipal Manager from 1 October 2018.

Remuneration of Chief Financial Officer

Basic Salary	1 506 374	857 801
Travel allowance	96 000	72 000
Cellphone allowance	21 600	16 200
Contributions to UIF, Medical and Pension Funds	222 899	144 441
Other benefits	13 147	-
	1 860 020	**1 090 442**

Remuneration of Director Corporate

Basic salary	955 247	999 698
Travel Allowance	97 920	72 000
Cell Allowance	16 200	16 200
Contributions to UIF, Medical and Pension Funds	169 465	160 721
Other benefits	8 469	-
	1 247 301	**1 248 619**

MR MH Ramoleta acted as Director Corporate Services from 1 July 2018 to 30 June 2019.

Remuneration of Director Planning and Development

Annual Remuneration	623 891	694 690
Car Allowance	-	280 000

Figures in Rand	2019	2018

32. Employee related costs (continued)

Cellphone Allowance	-	16 969
Contributions to UIF, Medical and Pension Funds	-	128 760
	623 891	**1 120 419**

Mr TI Phungwayo acted as Director Planning and Development from for the 2019 financial year:

Remuneration of Director Community Services

Annual Remuneration	712 093	804 233
Car Allowance	-	80 000
Cellphone Allowance	-	17 147
Contributions to UIF, Medical and Pension Funds	-	133 394
	712 093	**1 034 774**

Mr TM Gininda acted as as Director Community Services from 1 July 2018 to 30 September 2019, from 1 October 2018 to 30 June 2019 Mr HL van der Merve acted as Director Community Services:

Remuneration of Director Technical Services

Annual Remuneration	548 560	738 880
Car Allowance	-	64 000
Performance Bonuses	-	14 518
Contributions to UIF, Medical and Pension Funds	-	106 767
	548 560	**924 165**

Mr ST Mothibi and Mr S Rasmeni acted as Director Tecnical Services during the 2019 financial year.

Mr ST Mothibi:
01 July 2018 to 30 September 2018
01 December 2018 to 31 December 2018

Mr S Rasmeni:
26 November 2018 to 30 November 2018
01 January 2019 to 03 March 2019
07 March 2019 to 30 June 2019

33. Remuneration of councillors

Executive Major	900 271	1 030 429
Chief Whip	685 403	660 611
Mayoral Committee Members	4 459 756	3 181 706
Speaker	728 375	701 929
Councillors	15 538 643	16 615 689
Sec 79 Councillors	1 446 203	665 915
	23 758 651	**22 856 279**

33. Remuneration of councillors (continued)

Councillors remuneration

The Executive Mayor, Chief Whip, Speaker, Mayoral Committee Members and MPAC Chairperson are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of political office bearers and councillors is within the upper limits as determined by Remuneration of Public Officers Bearers Act no. 20 of 1998 and as per Government Gazette no.42134.

2019

Councillor	Appointment date	Salary	Pension	Medical aid	Other allowances	Total
Ngxonono YT (Executive Mayor)	2017/05/07	622 720	93 792	17 280	166 479	900 271
Mtshali PD (Chief Whip)	2017/05/07	450 992	67 932	-	166 479	685 403
Zuma NG (Speaker)	2017/05/07	481 056	72 462	-	174 857	728 375
Gwiji CV (MPAC Chairperson)	2017/05/07	419 527	63 210	17 280	166 476	666 493
Mahlangu BS (Member Mayoral committee)	2017/05/07	560 279	84 324	-	40 800	685 403
Makhanye SA (Member Mayoral committee)	2017/05/07	435 968	65 676	17 280	16 479	685 403
Ndaba BB (Member Mayoral committee)	2017/05/07	416 929	62 820	17 280	40 800	685 403
Nhlapho MD (Member Mayoral committee)	2017/05/07	516 562	77 770	-	91 071	685 403
Nkosi NE (Executive/Mayoral committee)	2017/07/05	442 228	66 616	10 080	166 479	685 403
Zulu NN (Member Mayoral committee)	2017/07/05	545 249	82 074	17 280	40 800	685 403
Mtsweni TP	2017/07/05	194 107	29 269	-	166 479	389 855
Masuku PIP	2017/07/05	236 790	35 676	17 280	100 109	389 855
Badenhorst HJ	2017/07/05	192 696	29 022	-	91 071	312 790
Botha C	2017/07/05	192 711	28 916	16 364	74 799	312 790
Chamberlain M	2017/07/05	221 380	33 330	17 280	40 800	312 790
De Vries GR	2017/07/05	236 395	35 585	-	40 800	312 780
Danny TM	2017/07/05	192 696	29 022	-	91 071	312 790
Dube TH	2017/05/26	221 380	33 330	17 280	40 800	312 790
Fourie ME	2017/07/05	230 250	34 540	7 200	40 800	312 790
Hlolweni S	2017/07/05	184 837	27 845	-	100 108	312 790
Klaas NP	2017/07/05	185 746	27 840	8 980	90 223	312 790
Lukhele I	2017/07/05	192 696	29 022	-	91 071	312 790
Mabizela TM	2017/07/05	236 404	35 586	-	40 800	312 790
Mahlangu BD	2017/07/05	177 660	26 778	17 280	91 071	312 790
Mahlangu BD	2017/07/05	177 660	26 778	17 280	91 071	312 790
Mahlangu BS	2017/10/31	211 523	31 854	17 280	52 133	312 790
Mahlangu E	2017/07/05	177 660	26 778	17 280	91 071	312 790
Mahlangu NP	2017/07/05	177 660	26 778	17 280	91 071	312 790
Makola MB	2017/07/04	214 798	32 432	-	100 108	347 338
Malaza NG	2017/07/05	221 380	33 330	17 280	40 800	312 790
Maseko TM	2016/12/01	236 404	35 586	-	40 800	312 790
Masina NA	2017/12/05	236 404	35 586	-	40 800	312 790
Mathebula SB	2017/07/08	176 502	26 598	7 200	102 480	312 780
Mazibuko KD	2017/07/05	192 696	29 022	-	91 071	312 790
Mbokazi AV	2017/07/05	184 837	27 846	-	10 007	312 790
Mbonani LM	2017/07/05	236 404	35 586	-	40 800	312 790
Mkhaliphi S	2017/07/05	192 696	29 022	-	91 071	312 790
Mkwebane ZA	2017/07/05	174 114	26 230	17 280	95 166	312 790
Mnisi TR	2017/07/05	222 264	33 324	16 402	40 800	312 790
Mofokeng TS	2017/07/05	236 404	35 586	-	40 800	312 790
Mokoena BD	2017/07/05	192 696	29 022	-	91 071	312 790

Notes to the Annual Financial Statements

33. Remuneration of councillors (continued)

Moloto BD	2017/07/05	184 837	27 845	-	100 108	312 790
Morajane TA	2017/07/05	192 696	29 022	-	91 071	312 790
Motloung ME	2017/07/05	182 776	27 534	-	102 480	312 790
Mtsweni MJ	2017/07/05	192 696	29 022	-	91 071	312 790
Ndoda NM	2017/07/05	192 696	29 022	-	91 071	312 790
Mdwanyaza PN	2017/07/05	236 404	35 586	-	40 800	312 790
Nel Buitendag AD	2017/07/05	236 404	35 586	-	40 800	312 790
Njinga SC	2017/07/05	192 696	29 022	-	91 071	312 790
Nkabinde E	2017/07/05	169 811	25 590	17 280	100 109	312 790
Nkabinde JB	2017/07/05	192 696	29 022	-	91 071	312 790
Nkosi MJ	2017/07/05	131 411	19 382	-	61 161	211 954
Ntuli SR	2017/07/05	236 404	35 586	-	40 800	312 790
Sebolela JD	2017/07/05	192 696	29 022	-	91 071	312 790
Shai KJ	2017/07/05	182 776	27 534	-	102 480	312 790
Sibanyoni SI	2017/07/05	169 811	25 590	17 280	100 109	312 790
Sithole LE	2017/07/05	169 811	25 590	17 280	100 109	312 790
Swart EP	2017/07/05	236 404	35 586	-	40 800	312 790
Thabethe IM	2017/07/05	182 776	27 534	-	102 480	312 790
Van Huyssteen NC	2017/07/05	177 660	26 778	17 280	91 071	312 790
Van Rooyen EJ	2017/07/05	192 696	29 022	-	91 071	312 790
Vilakazi EA	2017/07/05	177 660	26 778	17 280	91 071	312 790
Zulu TS	2017/07/05	192 696	29 022	-	91 071	312 790
		15 465 873	**2 328 470**	**411 826**	**5 164 788**	**23 758 652**

Terminations	Date	Reason
Nkosi MJ	2019/03/04	Resigned

2018

Councillor	Appointment date	Salary	Pension	Medical aid	Other allowances	Total
Maboaboltman NF (Executive Mayor)	2017/07/05	478 943	70 360	12 960	27 759	590 022
Ngxonono YT (Executive Mayor)	2017/07/05	276 429	41 472	11 520	110 986	440 407
Mtshali PD (Chief Whip)	2017/07/05	429 680	64 452	-	166 479	660 611
Gwiji CV (MPAC Chairperson)	2017/07/05	398 840	59 832	17 280	166 476	642 428
Mahlangu BS (Member Mayoral committee)	2017/07/05	481 618	72 250	-	36 459	590 327
Makhanye SA (Member Mayoral committee)	2017/07/05	414 644	62 208	17 280	166 479	660 611
Mtsweni TP (Member Mayoral committee)	2017/07/05	322 260	48 339	-	124 859	495 458
Ndaba BB (Member Mayoral committee)	2017/07/05	395 605	59 352	17 280	188 374	660 611
Ngxonono YT (Member Mayoral committee)	2017/07/05	196 790	29 519	5 760	55 493	287 562
Nhlapho MD (Member Mayoral committee)	2017/07/05	162 559	24 385	-	30 357	217 301
Nkosi NE (Member Mayoral committee)	2017/07/05	414 644	62 208	17 280	166 479	660 611
Zulu NN (Member Mayoral committee)	2018/03/15	160 124	23 008	4 320	12 100	199 552
Masuku PIP	2017/07/05	176 918	26 547	17 280	100 109	320 854
Mtsweni TP	2017/07/05	45 639	6 849	-	41 620	94 108
Nhlapho MD	2017/07/05	165 423	24 816	-	60 714	250 953
Badenhorst HJ	2017/07/05	183 693	27 564	-	91 071	302 329
Botha C	2017/07/05	212 389	31 860	17 280	40 800	302 329
Cardinal von Widdern TD	2017/07/05	80 145	9 865	7 200	29 500	126 710

33. Remuneration of councillors (continued)

Chamberlain M	2017/07/05	212 389	31 860	17 280	40 800	302 329
De Vries GR	2017/07/05	227 413	34 116	-	40 800	302 329
Danny TM	2017/07/05	183 693	27 564	-	91 071	302 329
Dube TH	2017/07/05	218 649	32 800	10 080	40 800	302 329
Fourie ME	2017/05/26	227 413	34 116	-	40 800	302 329
Hlolweni S	2017/07/05	175 836	26 385	-	100 108	302 329
Klaas NP	2017/07/05	222 989	33 452	5 088	40 800	302 329
Lukhele I	2017/07/05	198 267	29 748	-	74 314	302 329
Mabizela TM	2017/07/05	227 413	34 116	-	40 800	302 329
Mahlangu BD	2017/07/05	168 669	25 308	17 280	91 071	302 329
Mahlangu BD	2017/07/05	197 816	29 676	17 280	57 557	302 329
Mahlangu BS	2017/10/31	144 137	21 616	8 640	25 812	200 205
Mahlangu E	2017/07/05	173 565	26 042	15 840	86 882	302 329
Mahlangu NP	2017/07/05	168 669	25 308	17 280	91 071	302 329
Makola MB	2017/07/04	175 836	26 385	-	100 108	302 329
Malaza NG	2017/07/05	213 641	32 048	15 840	40 800	302 329
Maseko TM	2016/12/01	227 413	34 116	-	40 800	302 329
Masina NA	2017/12/05	131 464	19 621	-	23 530	174 615
Mathebula SB	2017/07/05	178 243	26 746	-	97 340	302 329
Mazibuko KD	2017/07/05	183 693	27 564	-	91 071	302 329
Mbokazi AV	2017/07/05	175 837	26 385	-	100 107	302 329
Mbonani LM	2017/07/05	227 413	34 116	-	40 800	302 329
Mkhaliphi S	2017/07/05	183 693	27 564	-	91 071	302 329
Mkwebane ZA	2017/07/05	216 145	32 424	12 960	40 800	302 329
Mnisi TR	2017/07/05	214 119	32 124	15 286	40 800	302 329
Mofokeng TS	2017/07/05	227 413	34 116	-	40 800	302 329
Mokoana BD	2017/07/05	183 693	27 564	-	91 071	302 329
Moloto BD	2017/07/05	175 836	26 385	-	100 108	302 329
Morajane TA	2017/07/05	183 693	27 564	-	91 071	302 329
Motloung ME	2017/07/05	173 773	26 076	-	102 480	302 329
Mtsweni MJ	2017/07/05	183 693	27 564	-	91 071	302 329
Mukwanazi AO	2017/07/05	40 740	6 114	-	20 527	67 381
Ndoba NM	2017/07/05	187 337	28 110	-	86 882	302 329
Mdwanyaza PN	2017/07/05	227 413	34 116	-	40 800	302 329
Nel Buitendag AD	2017/07/05	227 413	34 116	-	40 800	302 329
Njinga SC	2017/07/05	172 766	25 924	-	103 639	302 329
Nkabinde ER	2017/07/05	160 808	24 132	17 280	100 109	302 329
Nkabinde JB	2017/07/05	183 693	27 564	-	91 071	302 329
Nkosi MJ	2017/07/05	183 693	27 564	-	91 071	302 329
Ntuli SR	2017/07/05	227 413	34 116	-	40 800	302 329
Sebolela JD	2017/07/05	183 693	27 564	-	91 071	302 329
Shai KJ	2017/07/05	173 773	26 076	-	102 480	302 329
Sibanyoni SI	2017/07/05	160 808	24 034	17 280	100 109	302 231
Sithole LE	2017/07/05	160 808	24 132	17 280	100 109	302 329
Swart EP	2017/07/05	227 413	34 116	-	40 800	302 329
Thabethe IM	2017/07/05	173 773	26 076	-	102 480	302 329
Van Huyssteen NC	2017/07/05	168 669	25 308	17 280	91 071	302 329
Van Rooyen EJ	2017/07/05	183 693	27 564	-	91 071	302 329
Vilakazi EA	2017/07/05	168 669	25 308	17 280	91 071	302 329
Zulu TS	2017/07/05	183 693	27 564	-	91 071	302 329
Zuma NG (Speaker)	2017/07/05	458 314	68 758	-	174 857	701 929
		14 853 441	**2 223 611**	**384 694**	**5 394 517**	**22 856 279**

Appointments	Date
Zulu NN	2018/03/15
Mahlangu BS	2017/08/10t
Masina NA	2017/12/04

Figures in Rand	2019	2018

33. Remuneration of councillors (continued)

Ntsibande ME	2017/10/31	
Terminations	**Date**	**Reason**
Mukhwanazi AO	2017/09/15	Resignation
Maboa-Boltman NF	2018/05/03	Resignation
Cardinal Von TD	2017/11/30	Resignation

34. Depreciation and amortisation

	2019	2018
Property, plant and equipment	147 471 076	150 630 508
Intangible assets	437 244	567 870
	147 908 320	**151 198 378**

35. Finance costs

	2019	2018
Employee obligation interest	7 539 007	6 885 607
Trade and other payables	164 021 680	82 194 605
Finance leases	37 493	358 184
Current borrowings	391 576	592 791
Land fill site	2 852 375	2 610 672
	174 842 131	**92 641 859**

36. Debt impairment

	2019	2018
Debt impairment	24 157 659	3 101 446

37. Bulk purchases

	2019	2018
Electricity	649 101 400	563 400 945
Water	292 329 160	257 205 907
	941 430 560	**820 606 852**

Electricity losses

	Number 2019
Units purchased	649 101 400
Units sold	(309 289 864)
Total loss	**339 811 536**
Comprising of:	
Technical losses	64 910 140
Non-technical losses	274 901 396
Total	**339 811 536**
Percentage Loss:	
Technical losses	10 %
Non-technical losses	42 %
Total	**52 %**

Notes to the Annual Financial Statements

Figures in Rand

37. Bulk purchases (continued)

Water losses

	Number 2019	Number 2018		
Units purchased	292 335 382	257 205 907	31 036 719	30 621 811
Units sold	(216 158 734)	(186 805 632)	(22 949 182)	(2 240 262)
Total	**152 353 296**	**140 800 550**	**8 087 537**	**28 381 549**
Comprising of:				
Technical losses	292 329 159	25 720 591	3 103 672	3 062 181
Non-Technical loss	46 943 110	44 679 684	4 983 865	44 679 684
Total	**678 544 538**	**140 800 550**	**8 087 537**	**47 741 865**
Percentage Loss:				
Technical losses	10 %	10 %	10 %	10 %
Non-technical losses	16 %	17 %	16 %	17 %
Total	**52 %**	**54 %**	**26 %**	**27 %**

38. Contracted services

Presented previously		
Legal services	10 186 343	3 677 152
Meter reading	18 633 053	17 498 154
Security services	23 208 013	20 642 018
Professional fees	805 131	3 043 302
Other Contractors	66 209 620	32 651 125

Other contractors mainly include contracted sewerage purification services, prepaid vending management as well as assessment services.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

39. General expenses

Advertising	563 996	686 524
Auditors remuneration	7 093 218	2 996 091
Bank charges	3 414 477	3 377 783
Consumables	23 379 297	15 458 006
Entertainment	102 450	15 994
Rental: machinery & equipment	3 840 813	4 260 509
Insurance	3 678 637	5 635 827
Levies	1 728 603	269 088
Magazines, books and periodicals	8 525	46 552
Fuel and oil	6 106 927	4 379 913
Inventory losses	168 041	3 509
Printing and stationery	43 140	-
Protective clothing	2 955 080	707 987
Repairs and maintenance	57 389 201	27 892 513
Subscriptions and membership fees	5 592 973	2 511 159
Presenting costs	2 278 736	1 721 403
Transport and freight	8 010 626	16 127 432
Training	1 002 606	186 437
Travel	3 667 510	220 656
Refuse	258 758	-
Connection fees	(75 783)	198 591
Professional fees	14 979 575	5 278 790
Grants expenditure	19 565 217	20 245 439
Other expenses	2 019 729	3 274 478
	167 772 352	**115 494 681**

40. Fair value adjustments

Investment property (Fair value model)	(3 677 553)	725 000

41. Auditors' remuneration

Fees	7 093 218	2 996 091

Figures in Rand	2019	2018

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	67 575 097	68 110 563
Total capital commitments		
Already contracted for but not provided for	67 575 097	68 110 563

Authorised operational expenditure

Already contracted for but not provided for		
• Operating contracts commitments	105 480 646	78 757 925
Total operational commitments		
Already contracted for but not provided for	105 480 646	78 757 925

Total commitments

Total commitments		
Authorised capital expenditure	67 575 097	68 110 563
Authorised operational expenditure	105 480 646	78 757 925
	173 055 743	**146 868 488**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

43. Contingencies

Contingent liabilities of joint ventures

The following legal proceedings are currently in progress and are represented by various attorneys:

	2019	2018
Cronje De Waal & Skhosana		
Govan Mbeki Municipality vs Piet Bok Construction CC	9 021 856	9 021 856
Matter Pending - Summons against Municipality for standing time.		
Govan Mbeki Municipality vs Bosch	25 781 855	25 781 855
Matter Pending - Summons against Municipality for standing time and damages.		
Govan Mbeki Municipality vs NICS (Pty) Ltd	56 000 000	-
Matter pending as the municipality is taking the matter to appeal. - Issues relating payment of invoices. Matter to be reported to arbitration as there is conflict between the parties.		
Moonstone Investment 11 (Pty) Ltd	560 000	-
Matter Pending - Application against GMM for review		
Mthimunye Attorneys		
Govan Mbeki Municipality vs Revco (Pty) Ltd	290 000	-
Matter Pending - Summons issued against the municipality for services rendered The Municipality settled the matter at R 290 000.00 excluding costs at the party and party scale		
Govan Mbeki Municipality vs Kalapeng Constuction CC	123 092	-
Matter pending - Summons issued against Municipality for services rendered in 2005		
Neuhof Khosa Inc		
Govan Mbeki Municipality vs Actophambili Roads (Pty) Ltd	3 304 512	-
Matter pending - Summons against GMM for services rendered in an amount		
S'busiso Simelane Attorneys		
Govan Mbeki Municipality vs Mukesh Daya Vallabh	49 988	-
Matter pending - Summons against the Municipality, the claim arising from porthole amounted		
TMN Kgomo and Ass		
	95 131 303	**34 803 711**
Other		
Govan Mbeki Municipality vs MBV Mavuso/Minor children	-	800 000
Govan Mbeki Municipality vs Coleman Catharina Talita	-	750 000
	-	**1 550 000**
Total for contingencies for the year	-	76 353 711

Contingent assets

In addition to the court cases disclosed below, there are certain court cases which are more complex and costs cannot be determined:

Figures in Rand	2019	2018

44. Related parties

Relationships

Duduzile Maseko - employee	Director of Lucky Jane trading and projects and is a co-director in Siyaticenga ngani trading CC with Duduzile Maseko.
Ellen Sarah Khumalo - employee	Director of Minoah Suppliers and projects and is a co-director in Tsalanang investments (PTY) LTD with Ellen Khumalo(employee)
Sipho Fakude - employee	Director of Singemalangeni Logistics cc and projects and is a co-director in Nkomasefa trading and project cc with Sipho Fakude (employee).
Nontembiso Sqoko - employee	Director of Sondie Trading enterprise and projects and is a co-director inIkhwezi primary co-operative limited Nontembiso Sqoko(employee).
Zakhele Masilela - employee	Director of Clarabarna general trading cc and is a co-director in NkoSix skipas trading and project cc with Zakhele Masilela (employee).
Zakeu Mahlangu	Director of TMN Kgomo and Associates and is a co-director in Brodsky Trading 108 with Zakeu Mahlangu (employee).
Busiwe Mathebula	Director of Vuma Konke Transport & Project CC is the spouse of Busiwe Mathebula (employee).
Christine Mahlangu	Director of Ndluwakho Construction & Projects is the spouse of Christine Mahlangu (employee).
Izinyosi trading	Directors wife woking at provincial government civil servant
Westvaal holding (PTY) LTD	Directors wife woking at north west University
Members of key management	Please refer to employee related cost.

Related party balances

	2019	2018
Loan accounts - Owing (to) by related parties		
Sondie Trading enterprise	1 009 605	-
Clarabarna general trading CC	59 270	-
TMN Kgomo and Associates	890 497	-
Vuma Konke Transport and project CC	9 126 007	-
Ndluwakho Construction & Projects	8 000	-
Hire of plant and equipment		
Sondie Trading enterprise	1 742 304	602 148
Singemalangeni Logistics CC	180 320	-
Vuma Konke Transport & Projects CC	23 266 503	14 968 000
Ndluwakho Construction & Projects	42 450	29 888
Consumables		
Clarabarna General Trading	628 604	198 520
Legal services		
TMN Kgomo & Associates	-	259 764
Repairs and maintanance		
Izinyosi Trading	-	516 883
Westvaal Holding (Pty) Ltd	-	36 075

Related party transactions

45. Comparative figures

Certain comparative figures have been restated, refer to note - Prior-year adjustments for the detail.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

46. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by council.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk

47. Unauthorised expenditure

	2019	2018
Opening balance as previously reported	-	311 174 006
Opening balance as restated	**-**	**311 174 006**
Add: Unauthorised expenditure - prior period	-	229 992 929
Closing balance	**-**	**541 166 935**

The above unauthorised expenditure was incurred as a result of year-end accounting transactions not budgeted , bulk purchases , depreciation and impairment of assets, provision for impairment of debtors and interest charged on provision of long service awards, landfill site and employee benefit obligations.

The expenditure incurred is still to be submitted to council for consideration.

48. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated deficit of R 1 803 398 623 and that the municipality's total liabilities exceed its assets by R 1 803 398 623.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligation and commitments will occur in the ordinary course of business.

Figures in Rand	2019	2018

49. Fruitless and wasteful expenditure

Opening balance as previously reported	145 708 909	63 535 943
Opening balance as restated	**145 708 909**	**63 535 943**
Add: Fruitless and wasteful expenditure - prior period	164 021 680	82 172 966
Closing balance	**309 730 589**	**145 708 909**

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest chaged by Eskom		143 996 583	74 430 448
Interest charged by Rand water		12 724 533	7 418 284
Interest charged by Telkom		1 819 359	27 660
Interest charged by sundry creditors		5 481 203	331 378
		164 021 678	**82 207 770**

Figures in Rand	2019	2018

50. Irregular expenditure

Opening balance as previously reported	266 726 107	266 085 897
Opening balance as restated	**266 726 107**	**266 085 897**
Add: Irregular expenditure - prior period	167 970 825	58 088 950
Closing balance	**434 696 932**	**324 174 847**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Services received without contracts		55 866 719	19 471 180
Month-to-month contracts		45 217 581	14 208 252
Non-compliance with SCM regulations		66 886 525	24 409 517
		167 970 825	**58 088 949**

The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregular would only be known at the inclution of these investigations.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Audit fees

Opening balance	(3 460 505)	-
Current year subscription / fee	8 377 580	-
Amount paid - current year	(7 100 544)	(3 460 505)
	(2 183 469)	**(3 460 505)**

PAYE and UIF

Opening balance	64 029 230	-
Current year subscription / fee	74 494 233	64 029 230
Amount paid - current year	(74 494 233)	-
	64 029 230	**64 029 230**

Pension and medical aid deductions

Opening balance	125 146 860	-
Current year subscription / fee	160 543 041	125 146 860
Amount paid - current year	(160 543 041)	-
	125 146 860	**125 146 860**

VAT

VAT receivable	94 936 073	70 723 849

VAT output payables and VAT input receivables are shown in note 14.

All VAT returns have been submitted throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mahlangu BD	1 332	23 794	25 126
Mafokeng TS	2 431	35 240	37 671
Mahlangu NP	3 659	30 747	34 406
Mabizela TM	1 177	22 647	23 824
Mahlangu BD	1 176	3 252	4 428
Mtshali PD	1 769	35 280	37 049
Morajana TA	2 575	56 003	58 578
	14 119	**206 963**	**221 082**

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Gwiji CV	6 683	923	7 606
Hlolweni S	990	9 171	10 161
Mabizela TM	5 859	20 849	26 708

Figures in Rand		2019	2018

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Mahlangu NP	5 157	14 857	20 014
Mahlangu BD	1 628	12 478	14 106
Mbonani LM	5 956	26 393	32 349
Mkhaliphi s	4 286	15 624	19 910
Mofokeng TS	3 013	24 669	27 682
Mokoena BD	2 816	7 008	9 824
Moloto BD	2 259	77 871	80 130
Morajane TA	1 976	23 323	25 299
Motloung ME	2 750	31 022	33 772
Mtshali PD	2 975	27 212	30 187
Ndaba BB	6 396	22 047	28 443
Ndwanyana PN	973	2 640	3 613
Njinga SC	3 525	102 301	105 826
Nkosi MJ	1 674	6 105	7 779
Nsibande ME	5 801	305	6 106
Sibanyoni SI	11 880	84 480	96 360
Van Huyssteen NC	6 877	27 611	34 488
Zuma NG	7 158	4 632	11 790
	90 632	**541 521**	**632 153**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting officer.

52. Other revenue

	2019	2018
Fees earned	3 539 930	1 422 477
Commissions received	5 892	-
Other income	6 153 691	12 973 614
	9 699 513	**14 396 091**

53. Fines, penalties and forfeits

	2019	2018
Traffic fines	10 556 700	10 461 950
Building fines	51 613	31 483
Library book fines	153 566	79 369
	10 761 879	**10 572 802**